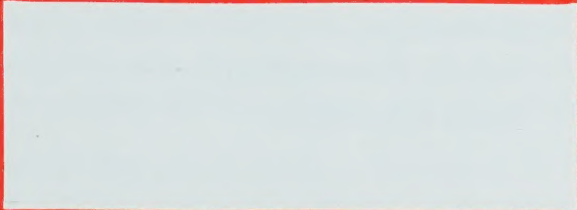


AR36

**STEADMAN INDUSTRIES
LIMITED**

TORONTO, CANADA



**1969
ANNUAL REPORT**



STEADMAN INDUSTRIES LIMITED

HEAD OFFICE: 280 Belfield Road, Rexdale 605, Ontario, Canada

OTHER OFFICES:	New York, N.Y., U.S.A.	Nassau, Bahamas
	Wilmington, Delaware, U.S.A.	London, England
	Chicago, Ill., U.S.A.	Amsterdam, Netherlands
	New Orleans, La., U.S.A.	Hamburg, Germany
	San Francisco, Cal., U.S.A.	Troisdorf, Germany

DIRECTORS: Gabriel Alter
Irving Gould
Murray Logan
David M. Perlmutter, C.A.
Warren L. Serenbetz

OFFICERS: Irving Gould, Chairman of the Board
Gabriel Alter, President
Warren L. Serenbetz, Vice-President
A. M. Hand, Vice-President Engineering
Melville E. Gould, Vice-President European Operations
David M. Perlmutter, C.A., Secretary-Treasurer

REGISTRAR AND
TRANSFER AGENT: Guaranty Trust Company of Canada

AUDITORS: Wm. Eisenberg & Co.

STEADMAN INDUSTRIES LIMITED

TO THE SHAREHOLDERS:

Although our production in 1969 was the highest in our history, our growth as a service and leasing company has far outstripped these gains and is continuing at a rate of about 10% per month. In a very short space of time, our subsidiary, INTERPOOL INC. has become one of the leading container leasing companies in the world, and your Company's manufacturing activities are accordingly becoming a progressively smaller part of the whole.

INTERPOOL's fleet of containers grew during the year from 700 to 4,500 and now stands at 6,500. Deliveries already contracted for will increase the fleet to 8,500 within the next few months.

Projected as a direct factor of container-ships actually ordered or announced, close to one million containers (20' equivalent) will be added to world fleets between now and 1975. As compared to the pace of development of containerization to date, the real growth is still in the future, but these projections cover only the intercontinental or ocean-going segment, which is only 10% of the total transportation picture.

Our exclusive patented handling systems, acting as the catalyst for INTERPOOL's growth, are useful primarily in the inland segment of intercontinental container transportation. Their proven effectiveness and value will have even greater impact in the coming container revolution in domestic transportation, which is 90% of the total transportation market.

Looking towards this larger market, INTERPOOL operates and provides equipment for inland container terminals as a direct service to railroads and motor carriers, enabling them to provide improved services to Steamship Companies and to shippers. When a Steamship Company accepts freight in an INTERPOOL container, rather than in its own container or that of some other leasing company, it is because INTERPOOL has been able to provide a saving in cost that is otherwise unobtainable. The difference in concept is vital, and we feel will lead to a greater proportion of the one million containers to be acquired in the next five years (as compared to to-day's world fleet of 300,000) being leased rather than owned, and a greater proportion of these leased containers being leased from INTERPOOL.

At the end of the year, the Company arranged a private placement of common shares adding \$500,000 to its treasury. Additional means of financing are currently being carefully investigated in order to increase our rate of growth despite currently difficult world money market conditions.

Leasing income for the year increased almost 900% to \$1,296,000 from \$129,830 for the previous year. For the last month of the year alone, leasing income was \$160,000. Production by our Canadian plant of containers and equipment for INTERPOOL amounted to \$1,700,000 during the year, and in our consolidated financial statement, the equipment represented by this amount is shown as fixed assets. Adding this amount to other equipment sales shown in the statement, produces a total value of production of \$3,000,000, an increase of 30% over the previous year.

We would particularly like to express our appreciation to the management of INTERPOOL for their considerable achievement during the year; the container fleet multiplied 6½ times; computerized container control and billings were introduced; offices were opened in London, England and Hamburg, Germany, as well as in Chicago, San Francisco, New Orleans and Detroit; agents were appointed world-wide and substantial marketing success was achieved. Administrative costs were kept within budget, and high utilization levels were maintained and increased. Cash generated by operations increased \$318,681 over 1968, an increase of over 145%. Net earnings increased by \$168,176, an increase of 167%.

80 of the world's major Steamship Companies have signed the INTERPOOL membership agreement to date, and lease containers from INTERPOOL. INTERPOOL maintains Pool service points in 90 cities world-wide.

A number of new patents were granted during the year, and we now have 38 issued patents in 18 countries. We also have 32 additional patent applications pending.

Commencing with the first quarter of the 1970 fiscal year, we are instituting a policy of reporting to the shareholders on a quarterly basis. In this first quarter ended February 28, 1970, the growth of the Company and particularly that of INTERPOOL has continued at the same rate as during the 1969 fiscal year. Equipment rental income was \$615,546 for the quarter and net earnings were \$114,698 or \$.17 per share. A summary of results for the period is enclosed with the annual report.

Our growth to date and our anticipated increased growth would not be possible without the assistance of the loyal and committed employees and staff of the Company and its affiliates and subsidiaries, and we wish to express our deep appreciation to them.

Respectfully submitted,

GABRIEL ALTER,
President.

WHY INTERPOOL CONTAINERS?

INTERPOOL's customers are primarily 80 of the world's major Steamship Companies who have signed its membership agreement to date. These Steamship Companies lease INTERPOOL containers because of INTERPOOL services that save money for them.

The most direct savings are in trailer chassis and container costs as in the following typical INTERPOOL-organized rail movement between a Midwest point and Atlantic ports of shipment. Operating conventionally, each Steamship Company attempted to maintain its own little Pool for the shipper's convenience. Containers moved by rail as piggyback required a costly trailer chassis at all times. The Steamship Company as well as the shipper were both involved in carefully arranging a complicated series of movements of the container plus chassis; (a) truck movement to the railroad; (b) rail piggyback movement inland; (c) storage until needed; (d) truck movement for loading and return to railroad; (e) rail movement to port area; (f) truck movement from railroad to pier. On average, the container and chassis which cost \$3/day at the very least were tied up over 30 days for each move for a total cost in excess of \$90.

Using INTERPOOL services, the container now travels directly on the railway flatcar without a trailer chassis (COFC). INTERPOOL makes containers available from its inland Pools, which move systematically from the shipper's dock via truckers appointed and equipped by INTERPOOL and via rail, directly to the piers; cost to the Steamship Company: 4 days' container rental @ \$1.75/day (from day of loading to pier delivery) plus a flat "chassis" charge of \$20; saving to Steamship Company: \$63.

Railroads are becoming increasingly aware of the potential savings that can be made in these systematic trouble-free container movements. Empty non-revenue moves are drastically reduced because containers move inland on lease to one Steamship Company and outbound on lease to another. Per-car revenue is greatly increased, because the standard 85' piggyback car can carry only 2 trailers or containers on chassis, but can carry 4 containers as COFC. Some railroads have passed part of the savings on to the shippers.

Motor carriers similarly gain operating economies through operations organized by INTERPOOL. With a Pool of chassis and neutral containers at both ends of the route, containers are fully utilized with domestic traffic on one leg. With properly-equipped trailer chassis provided by INTERPOOL, the container is loaded at the shipper's plant as a 20' chassis, side-transferred by means of STEADMAN SIDE-TRANSFER units to a 40' chassis. On the New York Thruway and Massachusetts Turnpike, 2 INTERPOOL 40' chassis are coupled together as a highway "train" and move economically and systematically to destination, where they are uncoupled and containers move to the piers as 40' units. Empty 20' containers are picked up either at the piers or at the INTERPOOL Pool, and the process repeats itself on the return leg.

Shippers certainly like the freight savings that can result from INTERPOOL services. More important, however, is the simplicity and reliability of the system, freeing the shippers from the administrative nightmare of individual arrangements necessary for each move, and the penalties and costs involved when any one of these many arrangements breaks down. Using INTERPOOL, they merely project their total needs. If a Steamship sailing is late or over-booked, or plagued by labour difficulties, they simply direct the "neutral" container to another Steamship Company. Knowing that the INTERPOOL system can reduce operating costs for both inland and ocean carrier, shippers expect that this will eventually reflect in future savings.

STEADMAN IND

(Incorporated under the law

AND SUBSIDIARY

Consolidated

As at November 30, 19

ASSETS

CURRENT	1969	1968
Cash and short-term notes	\$ 56,899	\$ 210,523
Accounts receivable	531,194	73,863
Inventory — valued at the lower of cost and net realizable value	336,753	208,110
Prepaid expenses and deposits	25,129	22,155
	<u>\$ 949,975</u>	<u>\$ 514,651</u>
PROPERTY AND EQUIPMENT — at cost (note 2)		
Containers and container handling equipment	\$6,181,978	\$1,364,148
Furniture, plant and equipment	243,990	150,394
	<u>\$6,425,968</u>	<u>\$1,514,542</u>
Less: Accumulated depreciation	426,559	127,364
	<u>\$5,999,409</u>	<u>\$1,387,178</u>
INVESTMENTS — at cost (note 3)	<u>\$ 3,477</u>	<u>\$ 6,076</u>
PATENTS AND PATENT RIGHTS — at cost less accumulated amortization (note 4)	\$ 33,362	\$ 25,824

Approved on behalf of the Board:

I. GOULD, Director.

G. ALTER, Director.

\$6,986,223 \$1,933,729

See accompanying notes to the

AUDITOR

To the Shareholders of
Steadman Industries Limited.

We have examined the consolidated balance sheet of Steadman Industries Limited and its subsidiary companies as at November 30, 1969 and the consolidated statements of earnings, deficit and source and use of funds for the year then ended. Our examination of Steadman Industries Limited included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the subsidiary companies.

Toronto, Ontario,
April 15, 1970.

STRIES LIMITED

of the Province of Ontario)

MPANIES (NOTE 1)

Balance Sheet

with 1968 Comparisons

LIABILITIES		
CURRENT	1969	1968
Bank indebtedness — secured (note 5)	\$ 250,000	\$ 120,968
Accounts payable and accrued liabilities	784,567	359,928
Current portion of long-term debt	816,381	33,071
Income taxes payable	143,843	2,571
	<u>\$1,994,791</u>	<u>\$ 516,538</u>
LONG-TERM DEBT (note 6)	2,938,664	116,169
UNEARNED PORTION OF LICENSING FEES	15,923	19,973
DEFERRED INCOME TAXES	1,383	35,685
TOTAL LIABILITIES	<u>\$4,950,761</u>	<u>\$ 688,365</u>
MINORITY INTEREST IN SUBSIDIARY COMPANIES	<u>\$ 21,534</u>	<u>\$ 532</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 8)		
AUTHORIZED		
1,000,000 common shares, no par value		
ISSUED AND FULLY PAID		
694,103 shares (669,103 in 1968)	\$2,687,866	\$2,187,866
DEFICIT — per statement	(673,938)	(943,034)
	<u>\$2,013,928</u>	<u>\$1,244,832</u>
	<u>\$6,986,223</u>	<u>\$1,933,729</u>

nsolidated financial statements.

REPORT

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at November 30, 1969 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

WM. EISENBERG & CO.,
Chartered Accountants.

STEADMAN INDUSTRIES LIMITED

(Incorporated under the laws of the Province of Ontario)

AND SUBSIDIARY COMPANIES (NOTE 1)

Consolidated Statement of Earnings

For the Year Ended November 30, 1969 with 1968 Comparisons

	1969	1968
Sales	\$1,342,777	\$1,467,868
Less: Cost of sales	974,927	1,205,275
	\$ 367,850	\$ 262,593
Equipment rentals	1,295,896	129,830
Licensing fees and sundry income	23,458	11,408
	\$1,687,204	\$ 403,831
General, administrative and selling expenses	\$ 879,002	\$ 180,984
Depreciation and amortization	305,070	83,127
Interest on long-term debt	104,087	—
	\$1,288,159	\$ 264,111
Earnings before income taxes, extraordinary items and minority interest ..	\$ 399,045	\$ 139,720
Income taxes (note 7)	117,546	73,083
Earnings before extraordinary items and minority interest	\$ 281,499	\$ 66,637
Extraordinary items (note 11)	7,164	34,815
Earnings before minority interest	\$ 288,663	\$ 101,452
Minority interest	19,567	532
Net earnings	\$ 269,096	\$ 100,920
Earnings per share (based on the average number of shares outstanding during the year: 1969 — 670,062 1968 — 628,963)	40.2¢	16.0¢

Consolidated Statement of Deficit

For the Year Ended November 30, 1969 with 1968 Comparisons

	1969	1968
Balance, beginning of the year	\$ 943,034	\$1,043,954
Deduct: Net earnings for the year	269,096	100,920
Balance, end of the year	\$ 673,938	\$ 943,034

See accompanying notes to the consolidated financial statements.

STEADMAN INDUSTRIES LIMITED

(Incorporated under the laws of the Province of Ontario)

AND SUBSIDIARY COMPANIES (NOTE 1)

Consolidated Statement of Source and Use of Funds

For the Year Ended November 30, 1969 with 1968 Comparisons

SOURCE OF FUNDS	1969	1968
OPERATIONS		
Net earnings for the year	\$ 269,096	\$ 100,920
Add: Charges not requiring outlay of funds:		
Depreciation and amortization	305,070	83,127
Extraordinary item	2,599	—
Deferred income taxes	—	35,685
	\$ 576,765	\$ 219,732
Deduct: Deferred income realized	4,050	—
Deferred income taxes paid	34,302	—
	\$ 538,413	\$ 219,732
Minority interest in subsidiary companies	21,002	532
Issue of shares of capital stock	500,000	945,863
Deferred portion of long-term debt	2,822,495	116,169
	<u>\$3,881,910</u>	<u>\$1,282,296</u>
USE OF FUNDS		
Investments	\$ —	\$ 777
Purchase of equipment	4,915,058	1,390,620
Cost of additional patents and patent rights	9,781	1,843
	<u>\$4,924,839</u>	<u>\$1,393,240</u>
Decrease in working capital	\$1,042,929	\$ 110,944
Working capital (deficit), beginning of the year	(1,887)	109,057
Working capital deficit, end of the year	<u>\$1,044,816</u>	<u>\$ 1,887</u>

See accompanying notes to the consolidated financial statements.

STEADMAN INDUSTRIES LIMITED

(Incorporated under the laws of the Province of Ontario)

AND SUBSIDIARY COMPANIES

Notes to Consolidated Financial Statements

November 30, 1969

1. BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of Steadman Industries Limited, its wholly owned subsidiaries and a group of subsidiaries in which it owns a 90% interest. All material, inter-company balances and transactions have been eliminated.

Current assets and liabilities in foreign currencies have been converted to Canadian currency at exchange rates applying at balance sheet date. Non-current assets and liabilities have been converted at rates prevailing at the time the assets were acquired or the liabilities incurred. The 1968 figures have been reclassified where necessary to conform with the current presentation.

2. PROPERTY AND EQUIPMENT

Depreciation on property and equipment has been provided on a straight-line basis over their estimated useful life.

3. INVESTMENTS

Particulars of investments are as follows:

50% interest in Solar Steadman Containers Limited	\$ 1
50% interest in Klockner-Steadman Container GmbH	3,476
TOTAL	<u>\$ 3,477</u>

Solar Steadman Containers Limited has had no significant operations to date. Klockner-Steadman Container GmbH incurred a loss of approximately \$62,000 in its fiscal year ended September 30, 1969. Accumulated losses for the two year period from the inception of the company to September 30, 1969 in the amount of \$132,000 have been assumed by Klockner-Werke A.G. who own the other 50% interest in Klockner-Steadman Container GmbH and who are obligated under the terms of an agreement with the Company to finance the losses of this jointly owned company for the first five years of its operations.

4. PATENTS AND PATENT RIGHTS

Patents are being amortized over a period of 17 years from their date of issue. Patent rights are carried at cost until patents are granted and are written off if the patent applications are withdrawn.

5. BANK INDEBTEDNESS

The bank indebtedness is secured by a general assignment of book debts of the parent company amounting to \$96,446 and by a charge against the inventory.

6. LONG-TERM DEBT

Long-term debt at November 30, 1969 is as follows:

Lease-purchase obligations, due in monthly instalments of approximately \$35,640 including interest through November, 1974	\$1,802,013
Equipment notes payable, due in quarterly instalments of \$78,450 including interest through April, 1974	1,210,534
10½ % note payable to a bank, due in monthly instalments of \$22,500 plus interest through September, 1972	742,497
	<u>\$3,755,044</u>
Less: current portion	816,381
NET	<u>\$2,938,663</u>

Under the terms of certain leases, some of the subsidiary companies have the option to purchase leased equipment for nominal amounts at the termination of the leases. Accordingly, such equipment has been included in the accompanying balance sheet, together with the related liabilities, at the discounted amount of the aggregate lease rentals (\$1,866,240) using an assumed 8½ % rate of interest. The equipment notes and the note payable to the bank are secured by all the containers and container handling equipment not used to secure the lease-purchase obligations.

7. INVESTMENT TAX CREDITS

Certain subsidiary companies follow the policy of reducing the provision for United States income taxes by the amount of investment tax credit utilized to reduce the income tax liability for the year (\$44,280 in 1969). These subsidiary companies have available investment tax credits of \$147,960 which may be used to reduce United States income taxes otherwise payable, subject to certain limitations, through 1976.

8. CAPITAL STOCK

On November 17, 1969, 25,000 shares of capital stock were issued at \$20 per share for an aggregate cash consideration of \$500,000. There are options outstanding to purchase 6,500 shares of the company's capital stock at a price of \$13.50 U.S. per share exercisable at any time up to December 31, 1971 and options to purchase up to 5,500 shares at a price 10% below market exercisable in varying amounts and on various dates to April 1, 1976. In addition, pursuant to an agreement dated December 1, 1968 certain employees of a subsidiary company who own 10% of the shares of that company have the right to convert their 10% interest into 65,000 shares of the capital stock of the Company on a formula based upon the earnings of the subsidiary company over the period ending November 30, 1973.

9. COMMITMENTS AND SUBSEQUENT TRANSACTIONS

Subsequent to November 30, 1969 a subsidiary company entered into an agreement to borrow up to 50% of certain accounts receivable balances pledging all its accounts receivable as security.

The annual rent payable (exclusive of taxes, insurance and other occupancy charges) under various leases running to 1973 amounts to \$73,000.

10. EXECUTIVE REMUNERATION

Aggregate direct remuneration paid to directors and senior officers in 1969 totalled \$124,800 (1968 — \$69,735).

11. EXTRAORDINARY ITEMS

These consist of:

Reduction of income taxes of a subsidiary company resulting from carry-forward of prior year's loss (1968 — \$34,815)	\$ 9,763
Write down of investment in a 50% owned company	2,599
	<u>\$ 7,164</u>

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INTU267769



M G W 44800 LBS 20321 KG
TARE 4730 LBS 2145 KG

File

THIS CONTAINER IS THE
PROPERTY OF
INTERPOOL INC.
830 2ND AVE
NEW YORK, N.Y.
10017-1000

RAILTAINER
CONTAINER

Industries



Steadman

HEAD OFFICE: 280 Belfield Road,
Rexdale 605, Ontario,
Canada

OTHER OFFICES: New York, N.Y., U.S.A.
Detroit, Mich., U.S.A.
Chicago, Ill., U.S.A.
Atlanta, Ga., U.S.A.
New Orleans, La., U.S.A.
San Francisco, Cal., U.S.A.
Nassau, Bahamas
London, England
Amsterdam, Netherlands
Hamburg, Germany
Troisdorf, Germany
Sydney, Australia

DIRECTORS: Gabriel Alter
Irving Gould
David M. Perlmutter, C.A.
Warren L. Serenbetz
A. B. Whitelaw, Q.C.

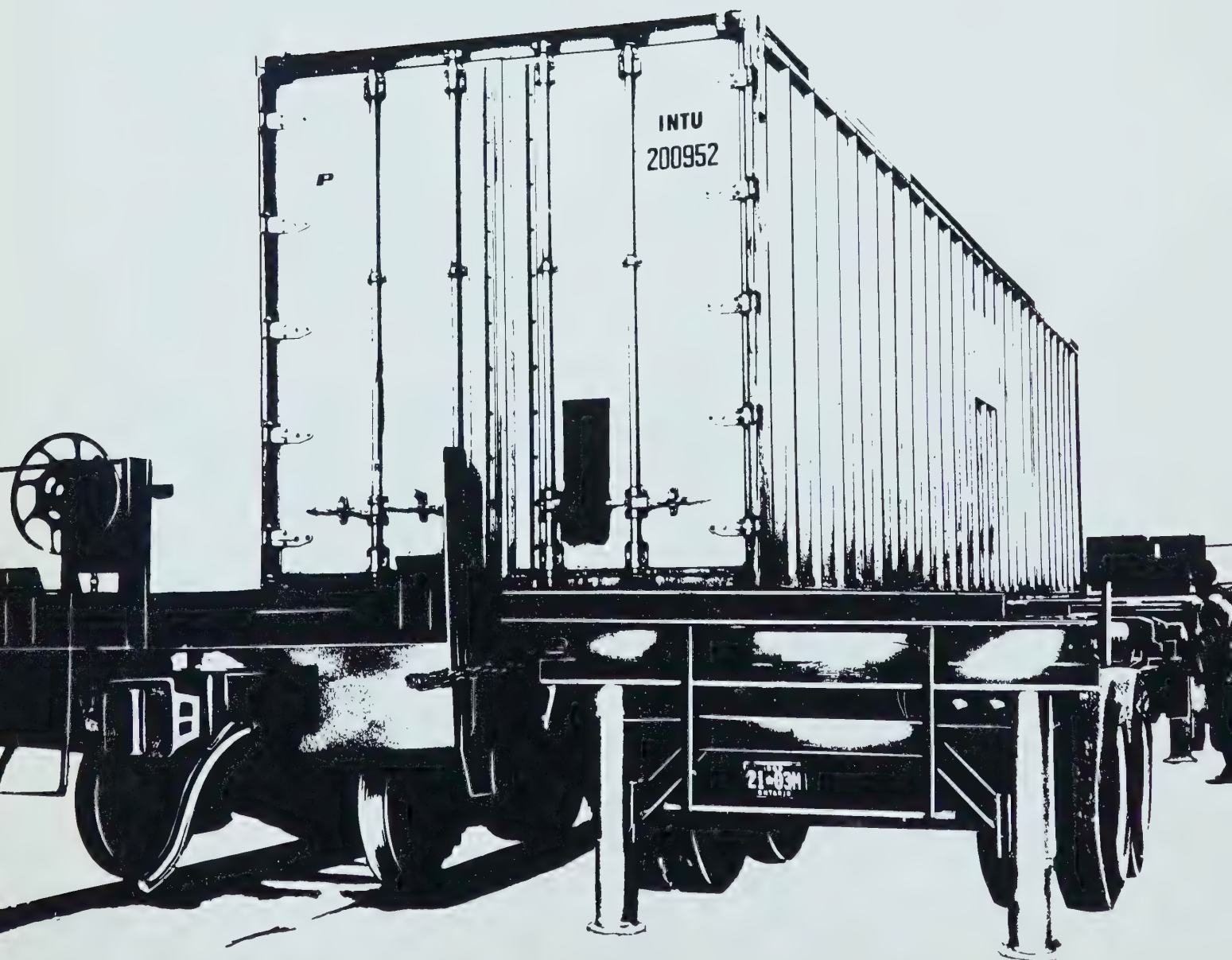
OFFICERS: Irving Gould,
Chairman
Gabriel Alter,
President
Warren L. Serenbetz,
Vice-President
A. M. Hand,
Vice-President Engineering
Melville E. Gould,
Vice-President European Operations
David M. Perlmutter, C.A.,
Secretary-Treasurer

**REGISTRAR AND
TRANSFER AGENT:** Guaranty Trust Company of Canada

AUDITORS: Arthur Andersen & Co.

Steadman Industries Limited

Annual Report 1970



to the Shareholders:

For the second successive year, your Company's income before extraordinary items more than doubled to \$532,040 (75¢ per share), an increase of 119% over 1969. Leasing revenues increased 192% to \$3,504,425 and are now running at the rate of \$5,500,000 per annum. In the first quarter of fiscal 1971, leasing revenue was almost \$1,400,000 and net income \$171,205, an increase of 48% over the first quarter of 1970. Funds generated by operations increased 139% to \$1,196,112. The extraordinary charge for the year of \$53,857 (8¢ per share) arose from the rise in the exchange rate of the Canadian dollar. Further details are set out in the accompanying financial statements. A separate report on the first quarter's operations is also enclosed.

Although many problems prevailed in the economy during 1970, the "container revolution" made considerable progress and the position in the container industry of our subsidiary, *INTERPOOL*, improved. Currently, 110 steamship companies have signed our Membership Agreement and lease containers from us and we have 116 pool points which range from Australia and Korea to Sweden and Italy. These pool points are supervised by 53 area offices co-ordinated by an expert management team.

Despite difficult worldwide financial conditions which somewhat restricted our purchases and delayed deliveries, our container fleet grew from 4,500 containers a year ago to over 10,000 (20' equivalents) on November 30, 1970 and includes 40' containers for the first time.

INTERPOOL'S growth in the container service and leasing industry has now so completely overshadowed the manufacturing side of our business that a resolution will be introduced at our next Annual Meeting to change the name of the Company from *STEADMAN INDUSTRIES LIMITED* to *INTERPOOL INTERNATIONAL LIMITED*.

The predominance of this subsidiary, which operates internationally from its base in the United States, together with the current fluctuation in the Canadian dollar rate of exchange, has resulted in a decision to express our financial statements in United States rather than Canadian currency.

INTERPOOL is now the major source of the Company's income with income before minority interest in fiscal 1970 of \$631,000.

Manufacturing Operations

The one disappointing aspect of this year's operations is the loss of \$62,000 or 9¢ per share suffered by the manufacturing division in Toronto. Since *INTERPOOL* must compete on an international basis with other container leasing organizations, we have felt it necessary to purchase containers on terms which are at least as good as those available to our competitors. Since the actual prices of containers are relatively uniform around the world, the decision as to location for purchase is usually made on the basis of the terms offered by various manufacturers together with the point where new container input is necessary. Due to the financial incentives granted by various European governments, manufacturers there are able to offer more advantageous terms than even we, as the parent company, can offer to our subsidiary by manufacturing in Canada. As a result, a much higher proportion of *INTERPOOL'S* equipment requirements were purchased this year outside Canada. This situation, together with a reduction in sales due to the general economic slowdown, resulted in the Canadian plant's production decreasing to less than half of the previous year. We are holding discussions with various Canadian governmental agencies to attempt to match the foreign financial incentives so that the Company's own manufacturing facility can be utilized to its optimum capability. In the meantime, we have taken steps to substantially reduce the overhead in the Toronto factory with the result that our present level of production for *INTERPOOL* and sales to other customers is sufficient to break even. Any additional business from major customers in Canada or *INTERPOOL* should result in profitable operations for the manufacturing division.

Interpool Operations

The use of the *STEADMAN* side-transfer systems by *INTERPOOL* has grown at a substantial rate with transfer units operating at 40 different locations, supported by 400 trailer chassis. Services to railroads, motor carriers and shippers have been widely expanded at inland locations throughout North America. Major exporting corporations in many industries now utilize *INTERPOOL* services in their international containerized distribution operations.

A significant breakthrough was accomplished during the year in the establishment of COFC (container-on-flat-car) railroad service between the U.S. East Coast and the Midwest, transporting 20' containers, 4 to a flatcar, over several U.S. railroads. Underlining the importance of this operation, domestic U.S. freight is being carried in these 20' containers in one direction, repositioning them

for export moves. We believe that this is the first time that such optimum container usage has actually been achieved and provides a demonstration of the capabilities of 20' containers as a primary means of handling domestic freight. This points to a market for *INTERPOOL* and *STEADMAN* systems that is potentially several times as large as the existing steamship-oriented market.

During the past year, the development of our Company has been vividly demonstrated by active participation in major container exhibitions and conferences in London, Frankfurt, Munich, New York and Toronto. Our exhibit at the First National Container Exhibition in Toronto in October included a prominent display of all of our equipment and the first public showing of our third-generation *SIDEWINDER* side-transfer unit. At the New York Container Exposition, it was featured in an outstanding indoor demonstration. This new concept in transfer equipment was received enthusiastically and is already in production in our Toronto plant to fill customer's orders. A major exhibition is planned in England in the near future to introduce it to the European market.

Aided by our exclusive handling systems and by our expert world-wide organization, we expect to continue to increase our share of the market in the rapidly expanding container industry. In fact, as at the fiscal year end, we had placed orders for almost \$7,000,000 in containers and handling equipment for delivery in 1971. Payment for these and our present debt will be made from funds derived from the leasing revenues of our equipment fleet.

Container Leasing Industry

The reduced transportation costs available to shippers as a result of "rate wars" have resulted in additional categories of freight moving into containerized transportation. Since this move by shippers to containers continues to fill all of the efficient container capacity available, the construction of large, efficient container-ships continues unabated.

There are additional indications for continued expansion of the industry. New trade routes and geographic areas not now being served are opening up to containerization. Additional products are being distributed internationally in larger volumes.

Multi-national corporations increasingly depend on sub-assemblies and components being distributed among their various plants. With this type of growth, there are additional ways in which *INTERPOOL* can market its unique features such as introduction of the side-transfer systems in Europe and further penetration of carrier-shipper services in the United States.

New Leasing Areas

INTERPOOL generally has avoided the introduction of special-purpose equipment into its fleet because the financial return has not appeared attractive due to the one-directional nature of cargo for units such as refrigeration and open-top containers. However, two unique units designed and built by the *STEADMAN* plant have been very successfully introduced into the fleet. Both of these units carry specialized cargo in one direction and conventional cargo on the return trip. The first of these units is a special container for wet hides and the second a special unit for dry bulk products.

For over a year, Airpool, Inc., the *INTERPOOL* subsidiary specializing in containers for aircraft, has had a period of market tests and customer development. *INTERPOOL* now has recruited a top executive to head this subsidiary and anticipates viable and profitable results in 1971.

Research and Development

We now have 44 issued patents in 15 countries, and many additional patent applications pending.

Since its inception, your Company has always placed great emphasis on the continuing development and refinement of its transfer systems and peripheral equipment. In fact, one of the major factors contributing to your Company's present success is this continuing research and development work. We have now established a specific research and development program with the objective of broadening the range of equipment utilizing the *STEADMAN* techniques. We are presently negotiating with the Government of Canada in order to obtain assistance under the applicable research and development incentive programs.

We would particularly like to express our appreciation to the loyal employees of the Company and of its affiliates and subsidiaries. Our growth to date and our anticipated growth would not be possible without them.

Respectfully submitted,

GABRIEL ALTER,
President.

Steadman Industries Limited

and Subsidiaries

Consolidated Balance Sheet

November 30, 1970

(Expressed in United States currency — Note 1;
with comparative figures for the prior year — Note 2)

ASSETS	1970	1969
Accounts receivable (note 6)	\$ 1,467,295	\$ 491,757
Inventory, at the lower of cost (first-in, first-out) or net realizable value (note 6)	\$ 220,225	\$ 311,497
Containers and handling equipment, at cost (notes 6 and 7)	\$12,094,124	\$5,677,035
Less — Accumulated depreciation	(1,014,382)	(290,898)
	\$11,079,742	\$5,386,137
Plant machinery and office equipment, at cost (note 7)	\$ 315,285	\$ 272,770
Less — Accumulated depreciation	(154,601)	(103,970)
	\$ 160,684	\$ 168,800
Other assets:		
Deferred income taxes	\$ 55,605	\$ —
Deferred research and development costs	53,726	—
Patents, at cost, net of amortization	39,260	30,860
Investment in affiliated companies (note 4)	13,707	3,217
Miscellaneous other assets	56,895	23,257
	\$ 219,193	\$ 57,334
	\$13,147,139	\$6,415,525

Approved on behalf of the Board
Irving Gould, Director
David M. Perlmutter, Director

The accompanying notes are an integral part of this statement.



LIABILITIES	1970	1969
Accounts payable and accrued expenses	\$ 691,835	\$ 740,591
Income taxes payable (note 8)	\$ 186,711	\$ 133,079
Debt obligations (note 6):		
Due within one year	\$ 2,767,647	\$ 934,479
Due after one year	6,613,390	2,720,985
	\$ 9,381,037	\$3,655,464
Deferred income taxes	\$ —	\$ 1,280
Minority interest (note 5)	\$ —	\$ 19,939
SHAREHOLDERS' EQUITY		
Capital stock (notes 5 and 9)		
Authorized 1,000,000 shares without par value		
Issued 810,603 in 1970 and 694,103 in 1969	\$ 3,128,935	\$2,584,734
Deficit	(241,379)	(719,562)
	\$ 2,887,556	\$1,865,172
	\$13,147,139	\$6,415,525

To the Shareholders of Steadman Industries Limited:

We have examined the consolidated balance sheet of STEADMAN INDUSTRIES LIMITED (an Ontario corporation) AND SUBSIDIARIES as of November 30, 1970, and the related consolidated statements of income, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Steadman Industries Limited and subsidiaries as of November 30, 1970, and the results of their operations and the source and application of their funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
March 12, 1971.

ARTHUR ANDERSEN & CO.
Chartered Accountants

Consolidated Statement of Income

(Expressed in United States currency — Note 1)

For the year ended November 30, 1970

(with comparative figures for the prior year — Note 2)

	1970	1969
Income from services and sales:		
Equipment rentals	\$3,504,425	\$1,199,906
Sales	646,791	1,242,069
Licencing fees and sundry income	59,134	21,697
	\$4,310,250	\$2,463,672
Costs and expenses:		
Cost of equipment rentals	\$1,599,444	\$ 550,718
Cost of sales	607,654	1,102,272
General and administrative	846,745	344,994
	\$3,053,843	\$1,997,984
Operating profit	\$1,156,507	\$ 465,688
Interest expense	547,151	96,377
Income before income taxes	\$ 609,356	\$ 369,311
Income tax provision (note 8)	40,816	108,758
Income for the year before minority interest	\$ 568,540	\$ 260,553
Minority interest (note 5)	36,500	18,099
Income for the year before extraordinary items	\$ 532,040	\$ 242,454
Extraordinary items:		
Loss on foreign exchange, net of income taxes of \$21,624 (note 1)	\$ 53,857	\$ —
Other, net	—	(6,636)
	\$ 53,857	\$ (6,636)
Net income for the year	\$ 478,183	\$ 249,090
Earnings per share (note 10):		
Income for the year before extraordinary items	\$.75	\$.36
Net income for the year	\$.67	\$.37

The accompanying notes are an integral part of this statement.

Consolidated Statement of Deficit

(Expressed in United States currency — Note 1)

For the year ended November 30, 1970

(with comparative figures for the prior year — Note 2)

	1970	1969
Balance, beginning of year	\$719,562	\$968,652
Net income for the year	(478,183)	(249,090)
Balance, end of year	\$241,379	\$719,562

Consolidated Statement of Source and Application of Funds

(Expressed in United States currency — Note 1)

For the year ended November 30, 1970

(with comparative figures for the prior year — Note 2)

	1970	1969
SOURCE OF FUNDS		
Net income for the year	\$ 478,183	\$ 249,090
Depreciation and amortization (note 7)	774,814	282,326
Deferred income taxes	(56,885)	(31,762)
From operations	\$1,196,112	\$ 499,654
Increase in liabilities other than debt obligations	\$ 4,876	\$ 519,529
Increase in debt obligations (note 6)	\$5,725,573	\$3,600,200
Issue of capital stock (note 9)	544,201	463,461
Minority interest	36,500	19,446
	\$7,507,262	\$5,102,290
APPLICATION OF FUNDS		
Containers, handling equipment and other fixed asset additions	\$6,457,606	\$4,549,855
Increase in accounts receivable, inventory and other assets	993,217	552,435
Acquisition of minority interest in net assets (note 9)	56,439	—
	\$7,507,262	\$5,102,290

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

November 30, 1970

1. CHANGE IN REPORTING PRACTICE

The Company's 1970 financial statements are expressed in United States currency whereas prior year financial statements were reported in Canadian currency. Comparative figures for fiscal 1969 have been re-stated to conform with the new reporting practice. Current assets and current liabilities were translated at year end rates of exchange, all other assets and liabilities were translated at historical rates and income, costs and expenses were translated at average rates prevailing during each period.

The following table compares the Company's consolidated earnings per share for fiscal 1970 under its new and old reporting practices:

	U.S.	Canadian
Net income for the year excluding loss on foreign exchange	\$.75	\$.75
Loss on foreign exchange	(.08)	(.11)
Net income for the year	<u>\$.67</u>	<u>\$.64</u>

The loss on foreign exchange reflects the Canadian government's decision as of June 1, 1970, to permit the Canadian currency to float in the international money market, resulting in the Canadian currency rising by November 30, 1970 to \$.98125 (U.S. Dollar equivalent) from the previous pegged rate of \$.925.

2. 1969 FINANCIAL STATEMENTS

The financial statements for the year ended November 30, 1969 of the parent company and certain of the subsidiaries, were examined and reported on by chartered accountants other than Arthur Andersen & Co.

Certain reclassifications have been made to the 1969 consolidated financial statements to make them comparable to the 1970 financial statement presentation.

3. PRINCIPLES OF CONSOLIDATION

The Company's financial statements are consolidated as of November 30, 1970 with those of all wholly-owned subsidiaries (see Note 5). The method of accounting for the Company's interest in the 50% owned affiliated companies is described in Note 4.

4. INVESTMENT IN AFFILIATED COMPANIES

The Company's investment in shares of 50% owned affiliated companies is comprised of:

Klockner-Steadman Container GmbH, at cost	\$ 3,219
Interpool N.V., at underlying book value	10,488
Total	<u>\$13,707</u>

Klockner-Steadman Container GmbH incurred a loss of \$41,400 in its fiscal year ended September 30, 1970. Accumulated losses of \$163,500 for the three year period from inception to September 30, 1970, have been assumed by Klockner-Werke AG, (owners of the other 50% interest) under the terms of an agreement with the Company.

The investment in Interpool N.V. is carried at the original cost of the shares (\$2,488) plus the Company's share of earnings for the period from incorporation to November 30, 1970 or \$8,000.

5. ACQUISITION OF MINORITY INTEREST IN SUBSIDIARY

Pursuant to an agreement dated December 1, 1968, certain employees of the principal subsidiary who owned 10% of the shares of that company acquired the right to convert their 10% interest into 66,500 shares of the capital stock of the Company on a formula based on the earnings of the subsidiary company over a period up to November 30, 1973.

The requirements with respect to earnings of the subsidiary company were met at August 31, 1970, and the employees intend to exercise their right to convert.

All the requirements with respect to the conversion have been complied with except that the employees have not as yet received a ruling that the share exchange would not be subject to tax. Counsel for the Company advises that a favourable ruling should be received. Accordingly, the financial statements give effect, as of August 31, 1970, to the acquisition of this 10% minority interest and the issue of the 66,500 shares of the capital stock of the Company for \$56,439, being the book value of the minority interest.

6. DEBT OBLIGATIONS

The debt obligations as of November 30, 1970, are as follows:

Notes payable, demand, bearing interest at 11¾ % to 12½ %, secured by accounts receivable of the container leasing subsidiary	\$ 522,885
Bank indebtedness, demand, bearing interest at 8½ %, secured by accounts receivable and inventory of the Company; guaranteed by the Chairman of the Company and by a company which is owned by his family. This company's guarantee is further secured by the pledge of marketable securities with market value of approximately \$700,000 at November 30, 1970.	488,634
9% note payable to bank, due in monthly instalments of \$20,833 plus interest through September 1972, secured by certain equipment and guaranteed in the same manner as the bank indebtedness referred to above.	437,490
Other notes payable, bearing interest at 12% to 14¼ %, (including \$264,464 payable to parties related to the Chairman), substantially secured by certain equipment and 90% of the shares of the container leasing subsidiary	337,368
Lease-purchase obligations	1,672,101
Equipment notes payable bearing interest at 6¼ % to 12%	5,922,559
	<u>\$9,381,037</u>

Lease-purchase obligations and equipment notes payable are secured by containers and handling equipment and are due in monthly, quarterly or semi-annual instalments to various dates through 1981. Aggregate annual instalments on these obligations are approximately \$1,900,000, including interest, through November, 1975.

Under the terms of certain leases, the Companies have the option to purchase leased equipment for nominal amounts at the termination of the leases. Accordingly, such equipment has been included in the accompanying balance sheets, together with the related liabilities, at the discounted amount of the aggregate lease rentals (\$2,031,000 in 1970 and \$1,723,000 in 1969), using assumed rates of interest of 8 to 8½ %.

7. DEPRECIATION POLICY

The Company has followed the policy of providing depreciation on containers, machinery and equipment on a straight line basis over their estimated useful lives. The estimated useful lives are ten years for containers, handling equipment and the majority of the plant machinery and office equipment.

8. INCOME TAXES

The significant variation from the customary relationship between income before income taxes and provision for income taxes for the year ended November 30, 1970, arises substantially because of the following:

(1) The Company has followed the policy of reducing the provision for U.S. income taxes by the amount of investment tax credit utilized to reduce the income tax liability for the year (\$116,000 in 1970 and \$41,000 in 1969). The companies have available investment tax credits of approximately \$200,000 which may be used to reduce U.S. income taxes otherwise payable, subject to certain limitations, through 1979.

(2) The provision has been reduced by a credit of \$72,600 representing the tax benefit from the carry back of the parent Company's fiscal 1970 loss to the prior year.

(3) A substantial proportion of consolidated income from operations for fiscal 1970 was contributed by a subsidiary incorporated in a jurisdiction which does not levy income taxes.

9. CAPITAL STOCK

On November 26, 1970, 50,000 shares of the capital stock of the Company were issued at Canadian \$10 per share for an aggregate consideration of \$487,762 (Canadian \$500,000). These shares were issued to the Chairman's family company, through the exercise of an option granted at the time of the original loan, to reduce the principal amount of the loan payable to the trust company.

The financial statements also give effect to the issuance of 66,500 shares of the Company for a consideration of \$56,439 to acquire the 10% minority interest in a subsidiary company. See Note 5 for further details.

The following shares have been reserved for options granted to purchase fully-paid and non-assessable shares:

<u>Void after</u>	<u>Currency</u>	<u>Exercise Price</u>	<u>Shares Reserved</u>
December 31, 1971	U.S.	\$13.50	6,500
April 9, 1973	Cdn.	10.00	10,000
April 1, 1974	Cdn.	17.55	2,000
December 1, 1974	Cdn.	20.25	500
March 5, 1975	Cdn.	21.15	500
April 1, 1975	Cdn.	16.43	1,500
April 1, 1976	Cdn.	17.78	1,500
			<u>22,500</u>

10. EARNINGS PER SHARE

The earnings per share figures are calculated using the weighted monthly average number of shares outstanding during the fiscal year.

11. EXECUTIVE REMUNERATION

Aggregate direct remuneration paid to the directors and senior officers in fiscal 1970 totalled \$158,000.

12. PURCHASE COMMITMENT

The Companies have negotiated to purchase additional equipment in the amount of approximately \$7,000,000 subsequent to November 30, 1970. Such purchases will be financed primarily by equipment notes payable or lease-purchase obligations.

Interpool

Services in the U.S.A.

Interpool is much more than a container leasing company and this difference in approach and function is of vital importance to our Steamship Company customers, and to *Interpool's* business. This "different" way of doing business is made possible by the STEADMAN Side-Transfer system, and rather than a "trade secret", can be described as a unique, captive method that competition has not found an economic means to circumvent.

At New York in particular, as well as at other ports, steamship companies and leasing companies are forced to store empty containers by the thousands, because of a basic imbalance between imports and exports of containerized goods. Other leasing companies have been forced to embargo New York as a container drop-off point. On the other hand, because of the exclusive services provided by *Interpool*, using STEADMAN systems, *Interpool* containers move out of the New York area as fast as they come in, and in fact balance the volume of outbound moves.

Interpool customers can move containers directly on the rail flatcar instead of as piggyback between New York and various Midwest points including Chicago and St. Louis. Trailer chassis costing three times as much as a container are not needed while the container is enroute by rail in each direction, and while it is in storage in Chicago. Six major Motor Carriers in New York State and in New England are equipped with STEADMAN Side-Transfer units and trailer chassis, and feed *Interpool* containers on a regular basis to *Interpool's* Steamship Company customers in New York. The dependability, ease and economy of the system has all but obsoleted earlier methods such as couplable containers and chassis, which was one of the means of partially obtaining the same effect.

Included among *Interpool* services are container and chassis pools at inland points maintained on a completely dependable basis . . . Side-Transfer units to transfer containers to and from 40' chassis or 85' COFC railcars . . . 40' chassis . . . COFC railcars . . . chassis fleets and backup pools at the port areas. Savings to the steamship companies are sizeable.

Our goal for 1971 is to expand these services further in the United States, and also to introduce them to Europe. Even at the current extent of development, they have permitted us to maintain what we believe is the highest rate of container utilization in the industry.

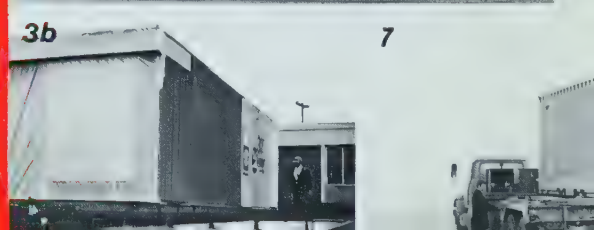
1. Insulated mechanical reefer container manufactured by STEADMAN INDUSTRIES LIMITED.

2. Domestic containerized steel transportation system. Difficult transportation problem involving hard-to-handle weather-sensitive steel sheets and coils solved by side-transfer system, with overnight delivery and lowest cost.

3(a) & 3(b) Modular Housing unit moves out of manufacturing plant (3a) on STEADMAN Side-Transfer unit and is transferred directly to railway flatcar (3b) for economical rail transportation to a point near the erection site, where the process will be reversed.

4. Specially equipped container manufactured by STEADMAN for *Interpool*. This container is designed for the carriage of wet hides in one direction and conventional dry cargo in the reverse direction. The one-piece floor and walls are epoxy coated for easy cleaning. It is equipped with large weatherproof ventilators. Stainless steel trough around the perimeter of the floor leads to openings which drain into stainless steel storage tanks.

5. Container designed and manufactured by STEADMAN for the carriage of dry bulk products in one direction and conventional dry cargo in the reverse direction. A disposable polyethylene liner keeps the interior sanitary. Dry bulk products such as chemical pellets and food products are loaded through the three hatches in the roof. At destination, a chute is attached to the opening in the front wall (shown) and the product flows out, without rehandling or contamination.



6. STEADMAN 40' Universal Side-Transfer Unit—40' ISO Tunnel-type container being transferred from transfer unit directly to railway car.
Note: Sliding bolster building "bridge" between transfer unit and railway car.

7. Interpool containers being side-transferred from 20' transfer unit to 40' over-the-road chassis.

8. Steadman equipment works anywhere — under the worst conditions.

9. Domestic Containerization. STEADMAN-built containers being transferred by STEADMAN Side-Transfer unit between road and rail in a domestic railroad container operation.

10. Interpool 20' container side-transferred by STEADMAN's latest development the Corner-Pull Transfer unit.

11. Containers by the train-load handled by STEADMAN Side-Transfer equipment.

12. 4 Interpool 20' containers on 2 Interpool 40' chassis in double-bottom configuration for thruway travel. Containers, loaded as 20' trailers, are side-transferred to this highway "train" by STEADMAN Side-Transfer equipment, for maximum Motor Carrier efficiency and economy. An Interpool exclusive!

13. Interpool containers at the Port of New Orleans.

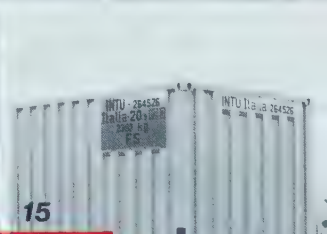
14(a) Interpool 20' container, on Interpool 20' chassis, leaves shipper's door at inland point.

14(b) At inland pool, container is side-transferred to railway car at convenient team track. No special facilities are needed.

14(c) 4 containers move on 85' railway car to Port. No chassis are required for the rail trip. The capacity of the railway car is fully utilized.

15. STEADMAN corner-pull side transfer unit with Interpool container.

16. At this modern freight handling terminal, containers are stored on racks while cargo is being loaded or unloaded. Containers are transferred to and from the racks by STEADMAN Side-Transfer equipment. Racks are rigid and safe, and one-eighth the cost of trailer chassis.



Interpool

World-Wide Services

The marketing philosophy of the world-wide *Interpool* organization is to provide a total global service wherever containers are in use. Through a local telephone call containers can be leased from that point for release at any other *Interpool* point anywhere in the world.

Our competitors do not have this freedom. They are generally unable to permit release of their containers in the greatest import area of the world, the U.S. East Coast. Through our systems application in the United States, we do have this substantial advantage.

This service enables steamship companies to utilize *Interpool* containers for trip and longer term periods where their own equipment is in short supply, or to points where they are imbalanced. By centralizing control through one efficient administrative centre, using telex communication and computer control, *Interpool* offers solutions to individual steamship company problems which they may be unable to solve on their own.

In order to provide this efficient global service, the *Interpool* organization includes a Managing Director for European Operations, based in London, England. London is also headquarters for the General Manager of *Interpool* Limited in the United Kingdom. The General Manager for *Interpool* in Germany is located in Hamburg. *Interpool* N.V., our joint venture with N.S.U., is headquartered in Amsterdam. Our newest office in Sydney, Australia, along with the above, support *Interpool* employees and agents through Europe and the world.

Interpool has created an extremely effective organization in the Far East. We have management representation in Taiwan, covering that Country as well as Hong Kong, the Philippines and Malaysia. *Interpool* has appointed exclusive agents in Japan, Korea and Australia.

We are now working towards continued expansion in Yugoslavia, New Zealand and South America, as well as other key areas.

Being currently involved on a day by day basis with the tremendous expansion in its customers' use of containers, *Interpool* strives to continue to increase its market share, as it has done in the past.



Container System in Liberia, West Africa

This successful installation was designed by STEADMAN to economically transport raw materials over a difficult road-rail route directly to plant without rehandling. The complete operation by EXCHEM, a subsidiary of Canadian Industries Limited, utilizes containers, transfer trailers, storage racks, railcar bolsters, and an in-warehouse transfer station manufactured and installed by STEADMAN Industries.

17(a) 15-ton loads being transferred from storage racks to 40' side-transfer trailer at Harbel, 80 miles from Monrovia.

17(b) After 50-mile road haul to railhead at Buchanan, container is side-transferred to rail car.

17(c) Rail car with two 20' containers is placed at Lamco warehouse, 170 miles further inland, where containers are removed by in-plant system.

**Interpool
Pool Points**

Halifax, N.S.
Montreal, Que.
Quebec City, Que.

Cleveland, Ohio
Detroit, Mich.
Toledo, Ohio

Hamilton, Ont.
Toronto, Ont.
Vancouver, B.C.

Chicago, Ill.
Milwaukee, Wisc.
Peoria, Ill.
St. Paul, Minn.
Waukesha, Wisc.

Los Angeles, Cal.
Oakland, Cal.
Portland, Ore.
San Francisco, Cal.
Seattle, Wash.

Dallas, Tex.
Houston, Tex.
Memphis, Tenn.
Mobile, Ala.
New Orleans, La.



Industries
adman

**Interpool
Pool Points**



Halifax, N.S.
Montreal, Que.
Quebec City, Que.

Cleveland, Ohio
Detroit, Mich.
Toledo, Ohio

Chicago, Ill.
Milwaukee, Wisc.
Peoria, Ill.
St. Paul, Minn.
Waukesha, Wisc.

Hamilton, Ont.
Toronto, Ont.
Vancouver, B.C.

Birmingham
Bristol
Derby/Nottingham
Felixstowe
Glasgow
Hull
Ipswich
Leeds
Liverpool
London
Manchester
Middlesborough
Newport
Southampton
Belfast
Dublin

Aarhus
Copenhagen
Esbjerg
Odense

Cologne
Manheim
Antwerp
Zeebrugge

Gothenburg

Bergen
Oslo

Helsinki

Bremen
Dusseldorf
Frankfurt
Hamburg
Munich
Nuremberg
Stuttgart

Amsterdam
Rotterdam

Baltimore, Md.
Boston, Mass.
Buffalo, N.Y.
Jersey City, N.J.
New York, N.Y.
Norfolk, Va.
Philadelphia, Pa.
Rochester, N.Y.

Alicante
Barcelona
Bilbao
Madrid
Valencia

Atlanta, Ga.
Birmingham, Ala.
Jacksonville, Fla.
Miami, Fla.
Morehead City, N.C.
Nashville, Tenn.
Savannah, Ga.

Lisbon
Oporto

Dallas, Tex.
Houston, Tex.
Memphis, Tenn.
Mobile, Ala.
New Orleans, La.

Bordeaux
Dunkirk
Le Havre
Lille
Marseilles
Paris
Reims
Rouen
Strasbourg





Kobe
Tokyo
Yokohama
Hong Kong
Manila
Singapore
Incheon
Pusan
Taipei

Ljubljana

Graz
Vienna

Adelaide
Brisbane
Fremantle
Melbourne
Sydney

STEADMAN INDUSTRIES LIMITED
(Incorporated under the laws of Ontario)
and subsidiary companies

CONSOLIDATED STATEMENT OF
SOURCE AND USE OF FUNDS*

for the six month period ended May 31, 1969 with 1968 comparisons

	1969	1968
Sales	\$607,298	\$946,424
Leasing Income	344,214	6,666
Licensing Fees	8,353	6,293
	<u>959,865</u>	<u>959,383</u>
Cost of Products Sold	418,920	768,619
General, Administrative and		
Selling Expenses	286,221	85,651
Depreciation and Amortization	<u>98,001</u>	<u>19,530</u>
	<u>803,142</u>	<u>873,800</u>
	<u>156,723</u>	<u>85,583</u>
Provision for Income Taxes		
Deferred	13,011	—
Current	<u>49,620</u>	<u>28,000</u>
	<u>62,631</u>	<u>28,000</u>
Net Earnings Before Minority Interest	<u>94,092</u>	<u>57,583</u>
Minority Interest	<u>4,546</u>	<u>—</u>
Net Earnings	<u>\$ 89,546</u>	<u>\$ 57,583</u>
Net Earnings Per Common Share	<u>13.4¢</u>	<u>9.5¢</u>
Common Shares Outstanding	<u>668,903</u>	<u>603,903</u>

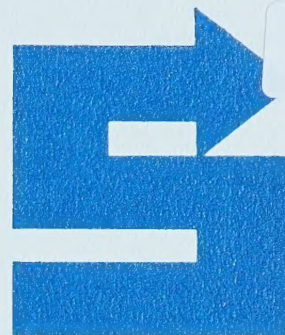
CONSOLIDATED STATEMENT OF EARNINGS*

for the six months ended May 31, 1969 with 1968 comparisons

Source of Funds	1969	1968
Operations		
Net Earnings	\$ 89,546	\$ 57,583
Depreciation and Amortization	98,001	19,530
Deferred Income Taxes	13,011	—
Minority Interest in Earnings	<u>4,546</u>	<u>—</u>
	<u>205,104</u>	<u>77,113</u>
Less-Deferred Income Realized	<u>—</u>	<u>2,025</u>
	<u>205,104</u>	<u>75,088</u>
Equipment Notes and Lease Option Agreements	1,031,009	—
Less - Increase in Current Portion Thereof	<u>186,203</u>	<u>—</u>
	<u>844,806</u>	<u>—</u>
Issue of Shares of Capital Stock	<u>—</u>	<u>2,500</u>
Investment by Minority Interest	<u>1,818</u>	<u>—</u>
	<u>\$1,051,728</u>	<u>\$ 77,588</u>
Use of Funds		
Additions to Equipment		
Containers	\$1,746,043	\$ 369,464
Other Equipment	<u>141,850</u>	<u>—</u>
	<u>1,887,893</u>	<u>369,464</u>
Payments on Long Term Debt	<u>45,262</u>	<u>—</u>
Patent Costs	<u>7,419</u>	<u>786</u>
Organization and Establishment Expenses	<u>13,204</u>	<u>—</u>
	<u>\$1,953,778</u>	<u>\$ 370,250</u>
Decrease In Working Working Capital	<u>\$ 902,050</u>	<u>\$ 292,662</u>

*Subject to Year End Adjustment and Audit.

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STEADMAN
INDUSTRIES
LIMITED

INTERIM REPORT

for the six months
ended May 31, 1969

DEAR SHAREHOLDER:

The first half of the 1969 fiscal year saw a continuation of the growth trends established by the company as a result of its acquisition of INTERPOOL INC. on November 1, 1968. As indicated in our 1968 Annual Report, the leasing activities of the company, through INTERPOOL, are and will continue to be pre-eminent in the operations of the company.

The INTERPOOL operation has made gratifying progress since our last report to you. The Pool has grown from a fleet of 700 containers as at November 30, 1968 to over 3,000 containers today. Additional containers are coming on stream at the rate of approximately 300 per month from our own plant, supplemented by manufacturers in the United States, England and on the Continent.

Membership in the Pool has also increased dramatically, with over 60 steamship companies now having signed Membership agreements, and currently leasing containers. Since its inception, INTERPOOL has concentrated on per diem leasing in contrast to long-term leases for large numbers of containers. Per diem rates are considerably higher and more profitable, but this type of leasing is somewhat less secure because containers are not necessarily re-leased immediately in the event that they are turned in. However, our utilization rate has averaged 88% during the six month period, indicating the effectiveness of the INTERPOOL management team.

Manufacturing operations in Toronto continue at a very high level. Of the total sales volume of production of \$1,492,298, \$892,044 was for INTERPOOL. This indicates an increasing trend since the comparable figures for the prior year are total sales value of \$1,351,670 including sales to INTERPOOL of \$405,246. Sales to INTERPOOL and any inter-company profits thereon are eliminated in the accompanying financial information.

INTERPOOL's competitive position is enhanced by various services provided to customers by means of our patented side-transfer systems, and there is consequently a very heavy demand for INTERPOOL equipment. In order to finance our own production

as well as container purchases from other suppliers, we have arranged a \$750,000 (U.S. funds) 3-year amortizing term loan for INTERPOOL with a Canadian Chartered Bank and we are continuing to investigate further sources of capital.

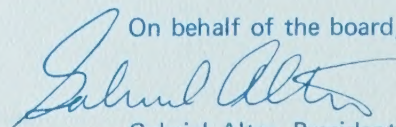
The financial progress of the company continues in line with the growth as set out above. Total revenues including sales, rentals and royalties (after elimination of inter-company sales), were \$959,865 this year (\$959,383 in the corresponding period last year).

Rental income during the current period of \$344,214 (compared to only \$6,666 last year) increased mathematically during the period as the rental fleet increased from 700 to 3,000. Rental income will continue to increase as the fleet continues its rapid expansion.

Substantial start-up costs were incurred by INTERPOOL, as would be expected in the initial phase of a new business of this type. In addition to its head offices and staff in New York, offices were opened in Chicago, New Orleans, San Francisco and in London, England. One-time costs associated with the introduction of containers into the fleet were also absorbed. Despite this, consolidated net earnings after taxes of \$89,546 were 56% ahead of last year. However, growth of the rental fleet and continued utilization should result in greatly increased earnings for the current six-month period.

INTERPOOL's expansion from its present 19 offices and agents and 50 Pool points in 14 countries around the world is continuing, and together with the manufacturing capabilities of the parent company, our position and share of market in the growing container industry is improving rapidly.

On behalf of the board,



Gabriel Alter, President

August 29, 1969

DEAR SHAREHOLDER:

Your Company has moved forward rapidly since our last report. The name has now been officially changed from STEADMAN INDUSTRIES LIMITED to INTERPOOL INTERNATIONAL LIMITED. Our application for listing on the Toronto Stock Exchange has been approved and our shares were called for trading on July 21, 1971.

Our equity base was increased in June by \$1,000,000 as a result of a private placement of 50,000 shares of Company stock at \$20 per share.

Net Income for the six months ending June 30, 1971 was \$407,720 or 50¢ per share, calculated on the average number of shares outstanding during the period, compared with \$228,542 or 34¢ for the same period in 1970 on a fewer number of shares. It should be noted that these are U.S. funds whereas the 1970 six month report was in Canadian funds. The increase in earnings was achieved despite a policy introduced during this current period of setting up liberal reserves for both maintenance and bad debts that are in excess of our experience in these areas.

Container leasing income for the period was \$2,675,914 as compared with \$1,216,572 for the same period a year ago. These figures do not include miscellaneous income derived from services which are provided only in support of container leasing.

This pattern of growth is reflected in all facets of the operation. 116 Steamship Companies have signed our Membership Agreement, and lease containers from us. We operate 122 Pool points throughout the world, through 11 company offices and 46 agents' offices. Our container fleet exceeds 15,000 (20' equivalents) and is increasing at a steady rate.

Conditions in the shipping industry are not particularly good at this time, especially on the heavily-travelled North Atlantic route. However, we are maintaining a satisfactory rate of utilization, which we believe to be the highest in the industry. We feel that the demand for leased containers, coupled with the type of services provided by INTERPOOL, is growing. We plan to continue our expansion of these services, and we look forward with confidence to increasing growth and earnings in the future.

On behalf of the Board

Gabriel Alter,
President

AR36



**Interpool
International
Limited**

(formerly Steadman Industries Limited)

280 Belfield Rd.
Rexdale 605, (Toronto)
Canada

INTERIM REPORT

for the six months
ended May 31, 1971

Interpool International Limited

(formerly Steadman Industries Limited)
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS*

for the six months ended May 31, 1971
with comparison for the six months ended May 31, 1970
and for the year ended November 30, 1970
(in U.S. Funds)

	Six Months ended May 31, 1971	Six Months ended May 31, 1970	Year Ended November 30 1970
Container Leasing Revenue	\$2,675,914	\$1,216,572	\$3,027,372
Container Leasing Operating Expenses:			
Operating and Administrative	1,210,809	491,968	1,337,155
Interest	387,423	137,106	417,994
Depreciation	602,584	269,929	683,625
	2,200,816	899,003	2,438,774
Net Revenue from Container Leasing	475,098	317,569	588,598
Other Revenue and Expense - Net	23,817	69,179	82,758
	498,915	386,748	671,356
Net Profit (Loss), Manufacturing	(1,390)	8,099	(62,000)
	497,525	394,847	609,356
Income Tax Provision	89,805	136,305	40,816
Net Earnings for Period	407,720	258,542	568,540
Minority Interest		30,000	36,500
	407,720	228,542	532,040
Loss on Exchange			53,857
Net Income for Period	\$407,720	\$228,542	\$478,183
Average Shares Outstanding	810,603	694,103	710,728
Earnings per share	50	34	67

Note 1. Figures for the six months ended May 31, 1970 have been restated to give effect to year-end adjustments, and to publication in U.S. Funds rather than Canadian Funds.

Note 2. The form of the statement has been revised to indicate operating results from container leasing, which is the Company's primary activity.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS*

for the six months ended May 31, 1971, with 1970 comparison

	1971	1970
SOURCE OF FUNDS		
Net Income for the period	\$ 407,720	\$ 228,542
Depreciation and Amortization	700,515	300,883
Minority Interest	—	30,000
Total from Operations	1,108,235	559,425
Increase in liabilities, other than debt	18,543	350,017
Increase in debt obligations	5,290,126	2,578,852
Issue of Capital Stock	13,500	—
	\$6,430,404	\$3,488,294
APPLICATION OF FUNDS		
Additions to Equipment	\$4,359,708	\$2,502,181
Payments on debt obligations	1,131,359	485,447
Increase in Accounts Receivable and other assets	939,337	500,666
	\$6,430,404	\$3,488,294

*Subject to year end adjustment and audit.